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JAPAN · ECONOMIC · INSTITUTE

JEI

REPORT

NO. 2A January 13, 1984

U.S.-JAPAN RELATIONS: BEFORE AND AFTER THE ELECTIONS

Summary

In the aftermath of the elections in Japan, it is apparent that the setback suffered by the Liberal Democratic Party (LDP) created some political instability. On the U.S. side, there has been a steady accumulation of frustration during 1983 because the U.S. felt forced to maintain a low profile to avoid damaging the LDP's chances. This report describes the outcome of the elections and analyzes the effects on the new Nakasone administration as well as the implications for future U.S.-Japan relations.

Background

The most significant aspect of the elections was the coalition that the results forced on the ruling Liberal Democratic Party (LDP) and its one-time spin-off group, the New Liberal Club (NLC). Japan's first coalition government since 1948 gave the weakened LDP eight additional votes, but the new Nakasone Cabinet still takes office under shaky political circumstances. Although Mr. Nakasone proved to be a shrewd politician and was able to recover a majority in the Diet, his chances of being re-elected prime minister next November will depend on his adopting a domestically oriented agenda in place of the foreign policy concerns that characterized his first year in office.

For the United States, the domestic political atmosphere will make relations with Japan more difficult as the presidential election nears. The United States will take a harder line in its demands that Japan open its markets further and spend more to build up its military forces. At the same time, Japan will likely become less flexible because of the LDP's loss of a

clear majority in the Diet. If it can, the Nakasone administration will try to impress the United States by its efforts on behalf of the defense budget, although it is unlikely to exceed the 1-percent ratio to GNP. In regard to trade issues, a compromise will be sought on the easing of beef and citrus quotas.

One of the few favorable signs for U.S.-Japan relations will be higher economic growth rates in both countries and a resultant decrease in unemployment. Balancing this, however, a rather low yen rate will continue to irk the U.S. business community, although both sides hope that the recent monetary policy innovations will lead to a stronger yen. Thus, after a one-year honeymoon period that was based on the "Ron-Yasu" personal relationship and the decision to avoid controversial issues in 1983, both countries must now enter into more practical and concrete discussions.

Setback and Partial Recovery

The outcome of the election can be analyzed in two parts: the immediate reaction and the political maneuvering which occurred during the following week. The initial results of the December 18th vote, which were quite different from the forecasts published just a few days earlier, represented a severe setback for the LDP. The LDP, which had held 286 seats, won only 250 (see JEI Report No. 2B of this week). The number-one opposition party -- the Japan Socialist Party (JSP) -- won 112 seats, up from 102 before the election. Komeito, the Clean Government Party, attained the largest gain with 25 seats, bringing its total to 58. The Democratic Socialist Party (DSP) also made a good showing, gaining five seats to raise its total from 33 to 38. The Social Democratic Federation (Shaminren) kept its representation at three.

Losers included the Japan Communist Party (JCP), which dropped three seats to 26, and the New Liberal Club (NLC), which lost four seats and was left with a total of only eight. In an effort to retain some power, the remaining NLC members voted to join a coalition government with the LDP. The decision -- a first for the LDP -- was announced on December 26th, the same day that Mr. Nakasone was renominated and the new Cabinet was formed. The opposition parties, which had hoped that a united front would give them more influence in the new administration, were sharply disappointed with the deal struck by the NLC and denounced the party for betraying the voters who had supported its hard-hitting criticism of the LDP.

The anger of the opposition forces suggests the advantage the coalition afforded the LDP. Last-minute maneuvering enabled the prime minister to increase the number of LDP seats by 17 -- the first nine from the ranks of conservative candidates who ran as "independents" without formal LDP endorsement. This still did not give the LDP a large enough majority in the Diet to retain the chairmanships of the 18 standing committees of the lower house, however, and the eight NLC seats were necessary to provide the majority it needed to retain committee chairmanships. This was particularly important in the case of the Budget Committee in order to avoid delays in implementing budget decisions. The LDP was thus able to hold on to 15 of the 18 chairmanships of the standing committees.

The JEI REPORT (ISSN 0744-6489) is published weekly for $40 per year by the Japan Economic Institute of America, 1000 Connecticut Avenue, N.W., Washington, D.C. 20036. Second class postage paid at Washington, D.C. POSTMASTERS: Send address changes to JEI, 1000 Connecticut Avenue, N.W., Washington, D.C. 20036.

In addition, Mr. Nakasone was also able to expand the power of his own faction by persuading former Finance Minister Michio Watanabe's group to rejoin his faction -- which it had abandoned in 1979. This enabled the Nakasone faction with 51 members in the lower house to overtake the prominent Suzuki faction (50 members, down from 62). The Tanaka faction is still the largest with 63 members, as compared to 65 before the election. Former prime minister Takeo Fukuda's faction has 40 members, down from 46; the Komoto faction has 28; and the Shintaro Ishihara faction has seven.

Nakasone's Political Style

At only 67.94 percent, voter turnout for the elections was the lowest in postwar Japanese history. Moreover, the LDP's percentage of the total vote fell from 47.88 percent in the last (1980) election to 45.76 percent, a sharper drop than recorded by the various opposition parties. Both factors suggest that the voters showed some personal ill-will toward Mr. Nakasone and the LDP, although they demonstrated their dissatisfaction by not voting rather than by supporting the opposition. Political analysts say that the voters were guided by the conviction that Mr. Nakasone had ignored the ethical problems raised by his government's strong reliance on Kakuei Tanaka, the convicted former prime minister. Other observers point out the uneasiness many Japanese feel at the prime minister's strong pro-defense position.

Election tactics have also been blamed for the setback. Critics argue that the LDP allowed too many candidates to run with party endorsement, creating contests in some electoral districts in which LDP candidates were forced to run against each other. This afforded the opposition the opportunity to form temporary coalitions and concentrate anti-LDP votes on the candidates selected by the coalition. It has also been suggested that the unusually strong LDP showing in the last general election, held in June of 1980 just after the death of then Prime Minister Ohira, made the ruling party overconfident.

A possible underlying reason could be attributed to the Japanese cultural preference for a certain vagueness. In contrast to the familiar argument that politicians should clarify and delineate their positions to the voters, the Japanese do not like to have certain facts pointed out too clearly even when they agree with those facts. Of course the Japanese, particularly conservatives, understand perfectly well that politics and ethics are not mutually reinforcing, but even this group is uneasy when confronted by evidence that ethics do not play a prominent role. Other key members of the Nakasone administration, such as former Justice Minister Akira Hatano, also brushed off the ethics issue. Mr. Hatano, who was certainly the Cabinet member most responsible for ethical behavior, was reported to have teased critics of the LDP saying, "To ask politicians to be ethical is like seeking fish at vegetable shops." It is easy to imagine how those voters who supported the LDP rather passively, in part because they did not expect anything from the opposition, were discouraged from even voting that Sunday.

The same reluctance was a factor in the defense question, even from voters who recognized the importance of military expansion in maintaining a cooperative relationship with the West. They could not help worrying about Prime Minister Nakasone's position, especially on those occasions when he met

with Western leaders. Ironically, to Japan's Western partners, Mr. Nakasone is the most appealing of Japan's prime ministers. But few Japanese appreciate the prime minister's brand of frankness. Quite a few older Japanese women expressed the fear that Mr. Nakasone's defense line was too close to President Reagan's hard anti-Soviet position.

To some voters, the prime minister seemed too proud of his foreign activities, and unnecessarily emphasized his visit to South Korea, his meetings with Mr. Reagan and his numerous contacts with other heads of state from China, West Germany and Canada. In the campaign, he implied that if the LDP lost the election, Japan would lose its international credibility, thus equating the national interest with the interests of the LDP. A number of voters, particularly conservatives, actually concur on this point, but resent being lectured to in this manner. Such external pressure tactics -- "gai-atsu" -- are often used by the Japanese government to try to persuade domestic opponents to change their position, although it is usually done in a rather low-key manner. In short, Mr. Nakasone is not as popular domestically as internationally, and it is partly because of his political style. Many conservatives who do not strongly support the LDP and who often cast the deciding votes in an election were uncomfortable with this approach, and while it worked well in the international arena, it became somewhat self-defeating at home.

The 1984 Election

The new Cabinet was formed with an eye toward the November 1984 election for LDP president. Immediately after the December general election the possibility of Nakasone being re-elected to the party presidency seemed remote, but the political maneuvering which occurred during the following week considerably improved his chances. The highlight of the new Cabinet was the nomination of Rokusuke Tanaka (Suzuki faction) as secretary-general. The announcement came after a bitter confrontation with former Prime Minister Zenko Suzuki, who supported one of the LDP's "new leaders." Mr. Nakasone obviously seems to be following a strategy to keep his strongest rival, Kiichi Miyazawa, from being promoted to the LDP's number-two position by retaining two other "new leaders," Noboru Takeshita (Tanaka faction) and Shintaro Abe (Fukuda faction) in the important Cabinet posts of Finance and Foreign Affairs.

The balance of factions (Table 4) in the key positions in both the party administration and the Cabinet remains almost the same as in the first Cabinet, suggesting that Mr. Nakasone did not carry out his promise to certain senior LDP members to eliminate Mr. Tanaka's influence. This promise, which was quite unusual in Japanese political history, was seen as a spur toward recovery for the LDP and a serious effort to assert the NLC's claim to a re-shaping of LDP political ethics. The NLC, which had taken the hardest line during the campaign, stated that it could now cooperate with the LDP in one political organization (the LDP-NLC National Union).

The removal of two powerful Tanaka faction members, Susumu Nikaido and Masaharu Gotoda, from the posts of secretary-general and chief Cabinet secretary, respectively, might be considered evidence that Mr. Nakasone did live up to his promise. However, Mr. Nikaido is expected to be nominated as deputy leader of the LDP at its annual meeting in January and Mr. Gotoda

remained in the Cabinet as director-general of the Administrative Management Agency. The nomination of Seichi Tagawa, the leader of the New Liberal Club, as Home Affairs Minister, is cited as proof of Mr. Nakasone's commitment to clean government since this position oversees all police activities and was previously held by a Tanaka affiliate. But the fact is that the Tanaka faction still holds the greatest number of key party and Cabinet positions, which Mr. Nakasone says is because it is unfair to keep talented people out of key positions simply because they belong to the Tanaka faction.

In marked contrast to the care taken to balance intra-party differences, key international posts were filled by lesser-known LDP figures. The retention of Minister of Foreign Affairs Shintaro Abe will provide continuity on unresolved issues, but the new Ministers of International Trade and Industry (MITI), Agriculture and Defense -- posts which handle important and difficult international issues -- are all relatively inexperienced in those fields. In addition, Mr. Nakasone evidently sees no serious need to name a Japanese counterpart to Vice President Bush, who at the time of President Reagan's visit to Japan was placed in charge of all U.S.-Japan negotiations. Mr. Nikaido, the former LDP secretary-general, was apparently sounded out on this possibility, but is said to have declined the post. No one else has been asked. Mr. Abe is reported to have said that the present organization of international economic policy does not require the creation of a new position.

Public Reaction

Many journalists appear to be quite critical of the new government and have roundly attacked Mr. Nakasone's continued reliance on Tanaka. During the tense period immediately after the election, it was widely expected that certain reforms would be adopted. These hopes were dashed, however, after just one week. The opposition, too, had expected to enjoy more power vis-a-vis the LDP. Both camps agreed with Asahi Shimbun, which editorialized, "Where has the (LDP) presidential statement gone?"

On the other hand, business circles, eager to see a new Cabinet formed quickly, are generally relieved and pleased. They are anxious to have the new budget passed quickly and would like to see the government achieve prompt success with administration reform. Chairman Bunpei Otsuki of the Japan Federation of Employers Associations (Nikkeiren) said that "now the real work on administrative reform must be done."

This contrast in attitudes is nothing new. There does, however, seem to be some agreement that the LDP should disengage from Tanaka. Even within the business community there is a tiredness about the issue. While there is still strong support for the LDP, the business sector seems to have hardened its appraisal since the conviction.

Relations Between Japan and the United States

Japanese Domestic Politics -- Even with the new coalition, the chief executive will have a harder time maneuvering than when the LDP enjoyed a clear majority in the Diet. As a result, his focus is apt to be narrower than during his first regime when he was free to pursue such issues as trade and defense. On the other hand, the United States has entered an election year when it is

apt to become protectionist and may well press its trading partners for more concessions in order to appeal to the electorate. These conflicting agendas are likely to increase bilateral tensions in 1984.

The LDP will have to consult with the opposition parties under the new Diet political configuration to avoid delays in the implementation of the new fiscal year budget. The LDP-NLC coalition, in particular, will require sensitivity on both sides if it is to endure. Inside the LDP, the new leaders will take a "wait and see" position. Mr. Komoto, however, does not seem to want to be kept waiting. Because of his age (72, seven years older than Mr. Nakasone), he cannot be considered a "new leader" and he may look for a chance to challenge the prime minister. His activities should be watched closely as the election for LDP president approaches.

Nor will Prime Minister Nakasone be as relaxed as he was in 1983. If his re-election seems uncertain, he might decide to dissolve the Diet again in mid-year in order to obtain the majority necessary to launch his candidacy. One Japan Socialist Party (JSP) representative from Kyushu has already said that he has to start preparing for the "next" general election -- which he expects to be scheduled within the year.

Even within the LDP, there are grave doubts about the governing ability of the new Cabinet. Kazuo Aichi, former parliamentary vice minister for foreign affairs, commented in an interview with JEI that with "all those difficult questions like agricultural imports, defense and the budget deficit, Mr. Nakasone should forget about being re-elected. When I review what he has done up until now and I look at the new administration, I can't help but be pessimistic."

Macroeconomic Policy -- The first task the new administration faces is the drafting of the FY 1984 budget. The Cabinet is scheduled to adopt the budget during its meeting on January 25th, after which it will be sent to a special session of the Diet for deliberations starting on February 6th. The United States and Western Europe are demanding that Japan adopt a more positive fiscal policy in order to stimulate its economy and expand imports. However, the Japanese government feels that the expansion of the budget necessary to achieve this type of economic stimulation is almost impossible because of the huge budget deficit. Because the leadership cannot ignore the red ink and is in a weaker position now than it was last year, it is expected to quietly disregard the request.

If Mr. Komoto wishes to initiate a series of actions to carry him to the leadership of the LDP, he will have to challenge Mr. Nakasone on macroeconomic policy. In the past he has advocated economic expansion and he reiterated this stand at his first press conference as Economic Planning Agency director. However, he was not able to spell out any concrete policies to implement a stimulative economic program.

Defense Issue -- A key issue that is closely related to the outcome of the election and that may gravely affect the U.S.-Japan relationship is the decision on the level of Japan's defense expenditures for FY 1984. President Reagan, who has endorsed Japan's defense efforts, was quoted in the press as saying that "the United States remains convinced that the most important

contribution Japan can make toward peace and security in Asia is for Japan to provide for its own defense and share more of the burden of our mutual defense effort."

The prime minister outlined Japan's position, confirming that "With respect to the improvement of our defense capability, I wish to make further efforts along the lines of the Joint Communique of May 1981."

The time has come for Mr. Nakasone to fulfill this pledge. However, the situation is more difficult now than it was at the time these smooth words were exchanged. First, because of the budget, total government expenditures will not be increased. Furthermore, since some budget items will automatically rise, such as interest on outstanding bonds, other outlays will somehow have to be lowered. Second, the election outcome makes fulfillment of the promise difficult. In order to cement the coalition with the NLC, the prime minister agreed to a statement confirming his intention "to observe the three principles of opposition to nuclear weapons as a fixed line of national policy, and to promote such peace-oriented diplomatic efforts as nuclear disarmament and a comprehensive national security policy."

Prime Minister Nakasone and the new Director General of Defense, Mr. Kurihara, have already announced that they will maintain the defense spending ceiling at one percent of GNP. Mr. Kurihara, a member of the Suzuki faction who follows its traditional dovish defense posture, may follow a line that is less hawkish than Mr. Nakasone's.

The Ministry of Finance is trying to hold the increase in defense spending to 5 percent despite the Defense Agency's request for a 6.9-percent increase. This conflict creates a problem because if the more austere position of the Ministry of Finance is adopted, it would be impossible to achieve the mid-term military buildup plan for FY 1983-87 which was agreed to in 1981. At the same time, it would undermine plans for the "1000 miles of sealane" defense. The United States is very concerned about both of these issues. Defense Secretary Caspar Weinberger stressed the importance of Japan's strengthening its sealane defenses in his speech at the National Press Club in Washington, D.C. on December 13, just a few days before Japan's general election. The timing of the remarks and their strong tone reveal the U.S. interest in a stronger defense commitment by Japan.

Trade Issues -- In this area, the problem of Japan's agricultural imports is the most urgent subject, particularly the decision on a new scheme for beef and citrus quotas due at around the end of March when the existing agreement expires. This is the most sensitive trade question in Japanese domestic politics and has already been discussed twice without any agreement. The fact that there have been three elections in Japan during 1983 has prevented the talks from making substantive progress. Observers say that the fear of political repercussions and the threat of political instability were additional obstacles.

The difference between the U.S. and Japanese positions is significant. The U.S. demand for orange exports calls for an increase of 25 percent each year over the 82,000-ton-level set for FY 1983. In regard to high-quality beef, the United States wants to increase the quota by more than 100,000 tons

during the next four years over the 30,800-ton-level set for FY 1983. Japan, on the other hand, wants only an 8,000-ton increase in the orange quota each year and at the most a 50,000-ton increase in the beef quota. The Japanese are worried, however, that the beef and citrus issue will be raised before the GATT and they intend to try to work out a new proposal.

The other major issue is the liberalization of Japan's capital markets, which was raised by President Reagan in the context of the "undervalued" yen. Even if Japanese monetary authorities try to stress the upward trend of the yen in 1983, citing the mean value (Y237 in 1983 and Y249 in 1982), many in U.S. business circles must view the exchange level with some suspicion.

Outlook -- Since it has been assumed that trade frictions tied to the sluggish world economy have produced tensions in U.S.-Japan relations, we can expect improvement since most forecasts suggest a global economic recovery this year. If Japan achieves a growth rate of 5 percent as forecast, it would have the effect of stimulating imports and curbing exports. But when we look at the relationship from the standpoint of the domestic political situation in both countries -- particularly in conjunction with the elections, we see the existence of rather unfavorable circumstances for the relationship.

Takashi Hosomi, President of the Overseas Economic Cooperation Fund and a former vice minister of Finance, predicts that for the time being the United States will follow the actions of the new Nakasone administration very carefully to see whether it can respond to U.S. pressures in a manner the U.S. deems appropriate. He feels that the United States will watch the new Cabinet members in important ministries such as MITI, Agriculture and Defense closely during consideration of next year's budget to determine their strengths and abilities.

In an interview with JEI, Koichi Kato, one of former Prime Minister Ohira's closest aides and a key member of the LDP's Agricultural Policy Group, worried that three problems would plague the U.S.-Japan relationship. First, U.S. expectations are too high. Second, Prime Minister Nakasone's confidence in his leadership abilities persuaded him that he could handle many difficult problems -- which are not at all easily resolved. And third, the election outcome has now made some matters -- which both the Japanese and American sides reasonably anticipated could be handled, difficult if not impossible to resolve.

The first official talks between Japan and the United States after the election will be held when Foreign Minister Abe visits the United States, possibly in late January or early February. At that time, the countries will assess bilateral relations in the context of both countries' elections. It is clear that the relationship will be based on much broader factors than the "Ron-Yasu" friendship so frequently mentioned during 1983.

For further information, contact Hiroshi Ando.

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Table 1: Election Results

	Number of Seats Won	After the Coalition	Seats Won in 1980	Seats at the Time of Dissolution
LDP	250	267*	284	286
JSP	112	113	107	101
Komeito	58	59	33	34
DSP	38	39	32	31
JCP	26	27	29	29
NLC	8	*	12	10
Shaminren	3	3	3	3
Independents	16	3	11	4
Total	511	511	511	498

*After the coalition, the LDP and NLC set up a joint parliamentary association, the "LDP-NLC National Union." The figure for the LDP after the coalition includes NLC's eight members.

Table 2: Factional Power Balance in the LDP[1]

Faction	Lower House: Before the Election	Lower House: After the Election	Upper House	Total: After the Election
Tanaka	65	63	51	114
Suzuki	62	50	27	77
Fukuda	46	40	25	65
Nakasone[2]	48	51	9	60
Komoto	30	28	8	36
Ishihara*	6	7	1	8
Independents	31	22	15	37
Total	288	261	252	513

*formerly Nakagawa

Notes:

[1]Includes two non-LDP members, Kakuei Tanaka (Tanaka faction) and Takayuki Sato (Nakasone faction), who left the LDP after they were accused in the Lockheed scandal.

[2]The Nakasone faction after the election includes the former Watanabe group and others.

Table 3: Popular Vote by Party

	1976	1979	1980	1983
LDP	249	248	284	250
	(41.78%)	(44.59%)	(47.88%)	(45.76%)
JSP	123	107	107	112
	(20.69)	(19.71)	(19.31)	(19.49)
Komeito	55	57	33	58
	(10.91)	(9.78)	(9.03)	(10.12)
DSP	29	35	32	38
	(6.28)	(6.78)	(6.60)	(7.27)
JCP	17	39	29	26
	(10.38)	(10.42)	(9.83)	(9.34)
NLC	17	4	12	8
	(4.18)	(3.02)	(2.99)	(2.36)
Shaminren	-	2	3	3
	-	(0.68)	(0.68)	(0.67)
Independents	21	19	11	16
	(5.70)	(4.89)	(3.48)	(4.99)
Total Percentage of Vote	73.45	68.01	74.57	67.94

Note: In each column, the figures at top indicate the number of seats won while those in parentheses represent the share of the vote won.

Table 4: Factional Balance in LDP Administration and Cabinet

	LDP Administration		Cabinet	
	Before Election	After Election	Before Election	After Election
Tanaka	A	B	6 (1)	6(1)
Suzuki	C	A	4 (1)	4(1)
Fukuda	B	C	3	4(1)
Nakasone			2 (1)	3
Komoto			2	2
Ishihara			1	0
Independents			2 (1)	0
NLP			0	1

A: Secretary General
B: Chairman, Executive Council
C: Chairman, Policy Affairs Research Council

Note: The numbers in parentheses indicate upper house members.

Jan. 13, 1984 B/C Not Filmed